

April 12, 2005: NORTON AND HOUSE REGIONAL DELEGATION INTRODUCE FAIR DEAL FEDERAL COMPENSATION ACT

FOR IMMEDIATE RELEASE

April 12, 2005

NORTON AND HOUSE REGIONAL DELEGATION INTRODUCE FAIR FEDERAL COMPENSATION ACT

Washington, DC-- Congresswoman Eleanor Holmes Norton (D-D) made the following statement on the Fair Federal Compensation Act of 2005 upon its introduction today. D.C. residents and businesses are proud of eight straight years of balanced budgets that pay for the operations of our government. Consequently, residents may not know much about their city's structural imbalance, but they are paying for it in millions of dollars in taxes and interest. Residents and businesses pay to cover the structural imbalance with higher taxes and the highest debt load in the nation. We hope today to help the Congress and city residents understand what the structural imbalance is and how it affects taxpayers and the D.C. government. Representatives of our residents and our businesses have stepped forward as our bipartisan regional House delegation introduces the Fair Federal Compensation Act of 2005 to address the imbalance. We want to thank our Republican and Democratic co-sponsors: Government Reform Committee Chair Tom Davis, Appropriations Subcommittee Chair Frank Wolf, Democratic Whip Steny Hoyer, Former Congressional Black Caucus Chair Elijah Cummings and Representatives Jim Moran, Chris Van Hollen, and Albert Wynn. Montgomery County Executive Doug Duncan has authorized me to say that he supports this bill as well.

Mayor Williams knows best what it means to run a city that has a federally imposed structural deficit that he can do nothing about, according to a definitive GAO report, no matter how efficiently he and government employees run the D.C. government. Board of Trade President Bob Peck knows the structural imbalance well because it affects him as he wears two hats-- D.C. resident and Board of Trade President. Vernal Crooms and George and Audrey Nwanze pay twice to help make up for the structural deficit-- as residents and as small business owners. As a homeowner in the Shaw community, ANC Commissioner Alexander Padro can tell you all you need to know about how the structural deficit adds to the cost of housing for homeowners and other taxpayers.

The goal of the bipartisan bill we introduce today is to prevent another fiscal crisis for our city and to relieve some of the unsustainable load on the D.C. government and on residents and businesses like those represented here. The structural imbalance is the difference between the cost of D.C. government services and operations and the add-on cost to local taxpayers that otherwise would be carried by the federal government or commuters. According to the GAO, (confirming two other major studies; McKinsey, March 2002 and Brookings, October 2002) the resulting imbalance is exclusively federal and has three sources: federal use of the city's most valuable land; the city's continuing responsibility for many costly state functions; and the commuter tax ban, despite services the District must provide to 200,000 federal employees. The GAO concluded that the only options to relieve the structural imbalance are: to "change Federal procedures and expand the District's tax base or provide additional financial support and a greater role by the Federal government to help the District maintain fiscal balance." The Fair Federal Compensation Act of 2005 we introduce today responds specifically to these GAO findings.

Our bill offsets part, though not all, of the annual structural imbalance-- found by the GAO to be between \$470 million and up to more than \$1.1 billion-- by providing for an annual federal contribution of \$800 million. Unlike the old federal payment, which remained constant and therefore lost much of its value through inflation, the federal contribution would increase annually. The federal contribution funds would go to a dedicated D.C. infrastructure support fund. The District does not have an operating deficit or imbalance and these federal funds could not be used for operating expenses. The bill provides specific uses only for the non-operating and urgent capital needs that are delayed each year in favor of keeping the D.C. government operating. The federal contribution would be available only for stated infrastructure purposes, such as roads and school construction and repairs, and for reducing the District's debt-- the highest in the country. High debt and the interest that results, of course, produce excessive taxes. The bill also would improve the District's investment bond rating and thus reduce our present high interest payments, all charged to taxpayers.

In 1995 Congress came to grips with the reality that this city's responsibilities assume it is a state, although it lacks a broad state tax base and that the District could no longer be expected to shoulder the full set of state costs. Congress relieved the District of the costs of some but not all state functions and left the unique federal structural impediments described in the GAO report. Nevertheless, the District has made remarkable progress, maintaining balanced budgets and surpluses every year despite adverse national economic conditions and improving city services. The CFO has ominously warned, however, that looking to the out years, the structural imbalance endangers the city's financial future and cannot continue to be carried by the District alone. It would be tragic for Congress to allow the progress that has been made to be retracted because of dangerous and escalating uncompensated federal burdens. The Fair Federal Compensation Act of 2005 would allow the District to avoid great risks, to continue to build fiscal strength, and to relieve D.C. taxpayers of this federal structural financial burden.